

CONSUMER SERVICES DIVISION STAFF REPORT

February 25, 2000

SUBJECT: SBC/Ameritech Merger Condition -- Community Technology Fund

Capsule Summary

On September 23, 1999, the Illinois Commerce Commission ("Commission") entered an order in Docket No. 98-0555, approving the merger of SBC Communications ("SBC") and Ameritech Corporation ("Ameritech"). On October 6, 1999, an order approving the merger was adopted by the Federal Communications Commission and on October 8, 1999, the merger was consummated.

Background

The Commission's Order approving the merger included 32 conditions that SBC/Ameritech would have to meet or implement. Two merger conditions, Nos. 9 and 10, which were voluntary commitments offered by SBC/Ameritech to establish a Community Technology Fund ("CTF") and Community Computer Center ("CCC"), respectively.

Staff has conducted several meetings with Ameritech and interested intervenors to gain information and to discuss how to implement the CTF and CCC. Staff was provided a myriad of documents from the interested intervenors regarding the existing centers in the Chicago area and CCC implementation information in other states.

Since the interested intervenors only focused on and documented information in the Chicago area, Staff focused on a statewide investigation of existing CCCs and facilities that provide a similar function, such as the Community College Board, Illinois Department of Employment Security, and alternative education facilities. Staff has had conversations with representatives from the Urban League, Girls and Boys Clubs, YWCA, Senior Citizen Centers, AARP, Illinois Employment Security, Community College Board, Illinois Housing Development Authority, Farm Bureau, U of I Extension Service, Centers for Independent Living, and Coalition for People with Disabilities. Some of these organizations have computers available for the public to use, however, they expressed a need additional equipment, support and/or services. Some centers have old slow computers, broken computers or no computers; no internet access; or no structured training. Every organization expressed an eagerness to be involved and were all ready to provide a list of items that would enhance or improve their facilities and/or programs. Additionally, Staff investigated the implementation of similar programs in Indiana, Wisconsin, California, and Ohio.

A. Community Technology Fund

The order required SBC/Ameritech to establish a CTF within three months of the merger closing date and make \$1 million available to the CTF for each of the three consecutive years, for a total of \$3 million. On January 1, 2000, Ameritech deposited \$1 million into the CTF. An additional \$3.75 million may also be distributed, if the 122 (Texas) performance measurements outlined in the Commission's Order are not implemented within 300 days from the merger closing date. The Committee will consist of one voting representative from Ameritech and the Commission Staff and other entities will be appointed by the Commission. Decisions will be made by a majority of the vote and tie votes will be broken by the Commission Staff member. The CTF Committee decisions as to how funds are distributed and expended are subject to Commission review. Funds will not be disbursed until 30 days after the CTF Committee files an expenditure report with the Commission, except for program design and implementation expenses that may not exceed \$50,000 annually. The CTF shall be dedicated to uses which help assure that rural and low income areas in Illinois have access to advanced telecommunications technology, such as computer equipment, associated software, Ameritech tariffed services, internet access, technical support, and program design. The awarding of funds will not be administered in a way which has an anti-competitive effect. These payments shall not be included in the revenue requirement or cost studies of Ameritech. Ameritech shall not net against merger savings or recover from ratepayers the costs associated with the CTF.

B. Community Computer Center

In conjunction with the CTF, SBC/Ameritech will also provide funding of \$750,000 in the first year following the merger closing and \$350,000 per year for two additional years to support a CCC.

C. CTF and CCC Committee Members

Staff believes that the committee should be a well rounded manageable working group of 9 or 11 individuals that represents rural, urban and low-income populations. Staff also believes that the committee should have a statewide focus in the distribution of the money, getting the most for the money. The Commission's Order specifically names Ameritech and the Commission Staff as members of the CTF, with other entities being appointed by the Commission. Commission Staff, Ameritech, and interested consumer intervenors have surveyed governmental agencies, interested community organization, and agencies that represent urban and rural interests to ascertain the level of interest in serving on the CTF and CCC. Staff recommends that representatives of the following organizations be appointed to the CTF and CCC:

American Association of Retired People (AARP) (Donna Ginser)

Represents senior citizens nationwide through membership input and policy analysis by regularly monitoring the needs, concerns and opinions of its members.

Illinois State Board of Education (ISBE) (William Conrad)

ISBE offers statewide representation for educational institutions. ISBE implemented the Universal Service e-rate program linking local schools and other public agencies to the internet. ISBE also has a vast knowledge in issuing and awarding grants. Mr. Conrad is the Associate Superintendent for Technology.

Rural Partners (Paul Galligos)

A member-driven forum that links individuals, businesses, organizations and communities with public and private resources to maximize the potential of rural Illinois.

Coalition of Citizens with Disabilities in Illinois (Matt Abrahamson)

The Coalition is a grassroots organization of individuals, groups and organizations to be a catalyst to promote and advocate for the full and equal participation of all individuals with disabilities in society at the local, state and national levels.

Community Workshop on Economic Development (Johnnie Cole)

A organization that works to build coalitions and collaborations on Empowerment Zones, Tax Increment Financing Program, and the Alternative City Budget project and was one of the intervenors in the Ameritech/SBC merger.

Policy Research and Action Group (Martin Mercado)

A community/university action-research collaborative that has developed a research project on community technology centers, schools, and libraries and the quality of access.

Illinois Small Business Utility Advocate (Vincent Gilbert)

Appointed by former Governor Edgar to represent small businesses throughout the state of Illinois. Mr. Gilbert has a strong background in policy issues relating to community development, business, law, finance, and an extensive broadcasting experience, currently hosting his own Cable TV Program, "Ask the Advocate."

Citizens Utility Board (CUB) (Jonathan Goldman)

CUB serves as a voice for residential and small business utility ratepayers. CUB is a non-partisan, non-profit statewide organization, funded solely by Illinois ratepayers.

Governor's Office (Mary Reynolds)

Governor Ryan's Chief Technology Officer

Ameritech (Fred Miri)

Illinois Commerce Commission (Cindy Jackson)

Staff respectfully requests that the Commission enter an Order to implement the CTF and CCC.

Submitted by:

Reviewed and approved

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